

Message Text

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ACTION NEA-11

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-08 FRB-03
INR-10 NSAE-00 ICA-11 TRSE-00 XMB-02 OPIC-03
SP-02 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-07
CEA-01 L-03 H-01 PA-01 /095 W
-----067997 040846Z /15

R 031032Z JUN 78
FM AMEMBASSY CAIRO
TO SECSTATE WASHDC 9891

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E.O. 11652: N/A
TAGS: EFIN, EG
SUBJECT: STATUS OF EGYPTIAN TAX LEGISLATION

1. IN A BRIEF DISCUSSION WITH CHARGE AND USAID DIRECTOR
ON JUNE 1, MINISTER OF FINANCE SALAH HAMID WAS ASKED WHAT
WAS NOW EXPECTED OF THE PEOPLE'S ASSEMBLY AS A RESULT OF
REJECTION BY PRESIDENT OF RECENT TAX LEGISLATION AND WHAT
ARE IMPLICATIONS FOR PLANNED 1980 MAJOR TAX REFORM.

2. MINISTER OF FINANCE SAID THAT DESPITE THE STRONG TENOR
OF THE PRESIDENT'S STATEMENTS ON INADEQUACIES OF THE RECENT
TAX LEGISLATION, CHANGES NEEDED IN THAT LEGISLATION TO MEET
THE PRESIDENT'S DESIRES WILL NOT IN FACT BE MAJOR NOR
DIFFICULT TO HAVE PASSED.

3. A MAJOR CONCERN IS FACT THAT EGYPTIANS INVOLVED IN
JOINT VENTURES HAVE POTENTIAL FOR TAX EXEMPTION UNDER
INVESTMENT LAW. AS A RESULT A NUMBER OF EGYPTIAN PROFES-
SIONALS - LAWYERS, ENGINEERS AND THE LIKE - ARE ORGANIZING
JOINT VENTURE ARRANGEMENTS IN EXPECTATION OF TAXEXEMPTIONS.
FURTHER CHANGE IN TAX LAW IS EXPECTED TO CLOSE THIS LOOP-
HOLE. OTHER CHANGES WIL ALSO BE REQUIRED, PARTLY IN TERMS
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OF LUXURY TAXES AND PARTLY IN TERMS OF ASSESSMENTOF LUXURY
GOODS IN WEALTH ASSESSMENT. HOWEVER, THE MINISTER STATED
FLATLY THAT THE PRESIDENT UNDERSTANDS CLEARLY THAT THIS IS
INTENDED AS AN INTERIM TAX MEASURE AND THAT ONLY LIMITED
ADJUSTMENTS WILL BE MADE. HE IMPLIED THATPEOPLE'S
ASEMBLY WILL ACT PROMPTLY, ALTHOUGH WE NOTE THAT PA AGENDA
IS VERY FULL AT THIS TIME AND THERE MAY BE SOME QUESTION

AS TO JUST WHEN THEY WILL GET BACK TOTAX LEGISLATION.

4. REGARDING MAJOR 1980 TAX REFORM PLAN, MINISTER STATES
HE DOES NOT EXPECT PRESIDENTIAL ACTION TO HAVE MAJOR
EFFECT ON SCHEDULE WHICH HAD ALREADYBEEN LAID DOWN,
ALTHOUGH THERE MAY BE SOME PRESSURE TO GET THE REFORM
BILL BEFORE THE PEOPLE'S ASEMBLY SOME MONTHS EARLIER
THAN WOULD OTHERWISE HAVE BEEN THE CASE - PERHAPS IN
LATE 1979 RATHER THAN EARLY 1980. DECONTROL FOLLOWING
DECEMBER 1978. MATTHEWS

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: TAX LAW, LEGISLATIVE BILLS
Control Number: n/a
Copy: SINGLE
Draft Date: 03 jun 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978CAIRO14195
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D780233-0832
Format: TEL
From: CAIRO
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t197806100/aaaadhqn.tel
Line Count: 72
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 7210077c-c288-dd11-92da-001cc4696bcc
Office: ACTION NEA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 05 may 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: N/A
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2134728
Secure: OPEN
Status: NATIVE
Subject: STATUS OF EGYPTIAN TAX LEGISLATION
TAGS: EFIN, PGOV, EG
To: STATE
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/7210077c-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014